

**BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS**

In the Matter of the Accusation Against:

Case No. AC-2009-4

CHARLES MICHAEL ANDERSON
1102 Aviation Blvd., Suite B
Hermosa Beach, CA 90254-4000

Certified Public Accountant Certificate No.
15928

and

CHUCK ANDERSON, C.P.A., INC.;
1102 Aviation Blvd., Suite B
Hermosa Beach, CA 90254-4000

Certified Public Accountancy Corporation
Certificate No. 4283


Respondents.

DECISION AND ORDER

The attached Stipulated Settlement is hereby adopted by the Board as its Decision in this matter.

This Decision shall become effective on February 28, 2010.

It is so ORDERED January 29, 2010.



FOR THE BOARD OF ACCOUNTANCY

1 EDMUND G. BROWN JR.
Attorney General of California
2 GREGORY J. SALUTE
Supervising Deputy Attorney General
3 KEVIN J. RIGLEY
Deputy Attorney General
4 State Bar No. 131800
300 So. Spring Street, Suite 1702
5 Los Angeles, CA 90013
Telephone: (213) 620-2558
6 Facsimile: (213) 897-2804
Attorneys for Complainant
7

8 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
9 **DEPARTMENT OF CONSUMER AFFAIRS**

10 In the Matter of the Accusation Against:

Case No. AC-2009-4

11 **CHARLES MICHAEL ANDERSON**
1102 Aviation Blvd., Suite B
12 Hermosa Beach, CA 90254-4000

**STIPULATED SETTLEMENT AND
DISCIPLINARY ORDER**

13 Certified Public Accountant Certificate No.
15928

14 and

15 **CHUCK ANDERSON, C.P.A., INC.**
1102 Aviation Blvd., Suite B
16 Hermosa Beach, CA 90254-4000

17 Certified Public Accountancy Certificate No.
18 4283

19 Respondents.

20 IT IS HEREBY STIPULATED AND AGREED by and between the parties to the above-
21 entitled proceedings that the following matters are true:

22 PARTIES

23 1. Patti Bowers (Complainant) is the Executive Officer of the California Board of
24 Accountancy (Board). She brought this action solely in her official capacity and is represented in
25 this matter by Edmund G. Brown Jr., Attorney General of the State of California, by Kevin J.
26 Rigley, Deputy Attorney General.

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2. Respondent Charles Michael Anderson (Respondent) and Respondent Chuck Anderson, C.P.A., Inc. (Respondent Corporation) are represented in these proceedings by attorney Albert E. Cressey, whose address is:

Reback, McAndrews, Kjar, Warford & Stockalper
1230 Rosecrans Avenue, Suite 450
Manhattan Beach, CA 90266.

3. On or about December 11, 1970, the Board issued Certified Public Accountant Certificate No. 15928 to Respondent. The Certified Public Accountant Certificate (license) was in full force and effect at all times relevant to the charges brought in Accusation No. AC-2009-4 and will expire on July 31, 2010, unless renewed.

4. On or about March 21, 1996, the Board issued Certified Public Accountancy Corporation Certificate No. 4283 to Chuck Anderson, C.P.A., Inc. (Respondent Corporation). The Certified Public Accountancy Corporation Certificate (license) was in full force and effect at all times relevant to the charges herein and will expire on March 31, 2010, unless renewed.

JURISDICTION

5. Accusation No. AC-2009-4 was filed before the Board and is currently pending against Respondents. The Accusation and all other statutorily required documents were properly served on Respondents on March 24, 2009. Respondents timely filed their Notice of Defense contesting the Accusation. A copy of Accusation No. AC-2009-4 is attached as exhibit A and incorporated herein by reference.

ADVISEMENT AND WAIVERS

6. Respondents have carefully read, fully discussed with counsel, and understand the charges and allegations in Accusation No. AC-2009-4. Respondents have also carefully read, fully discussed with counsel, and understand the effects of this Stipulated Settlement and Disciplinary Order.

7. Respondents are fully aware of their legal rights in this matter, including the right to a hearing on the charges and allegations in the Accusation; the right to be represented by counsel at their own expense; the right to confront and cross-examine the witnesses against them; the right

1 to present evidence and to testify on their own behalf; the right to the issuance of subpoenas to
2 compel the attendance of witnesses and the production of documents; the right to reconsideration
3 and court review of an adverse decision; and all other rights accorded by the California
4 Administrative Procedure Act and other applicable laws.

5 8. Respondents voluntarily, knowingly, and intelligently waive and give up each and
6 every right set forth above.

7 9. Respondents admit the truth of each and every charge and allegation in Accusation
8 No. AC-2009-4.

9 10. Respondents agree that their Certified Public Accountant Certificate and Certified
10 Public Accountancy Corporation Certificate (licenses) are subject to discipline and agree to be
11 bound by the Board's imposition of discipline as set forth in the Disciplinary Order below.

12 CONTINGENCY

13 11. This stipulation shall be subject to the Board's approval. Respondents understand
14 and agree that counsel for Complainant may communicate directly with the Board regarding this
15 stipulation and settlement without notice to or participation by Respondents and their counsel. By
16 signing this stipulation, Respondents understand and agree that they may not withdraw their
17 agreement to its terms and/or rescind the stipulation prior to when the Board considers and acts
18 upon it. If the Board fails to adopt this stipulation as its Decision and Order, the instant
19 Stipulated Settlement and Disciplinary Order shall be of no force and effect and with the
20 exception of this paragraph, shall be deemed inadmissible in any legal action between the parties
21 and the Board shall not be disqualified from further action by having considered this matter.

22 12. The parties understand and agree that facsimile copies of this Stipulated Settlement
23 and Disciplinary Order, including facsimile signatures thereto, shall have the same force and
24 effect as the originals.

25 13. In consideration of the foregoing admissions and stipulations, the parties agree that
26 the Board may, without further notice or formal proceedings, issue and enter the following
27 Disciplinary Order:

28 ///

DISCIPLINARY ORDER

IT IS HEREBY ORDERED that both Certified Public Accountant Certificate No. 15928 and Certified Public Accountancy Corporation Certificate No. 4283 issued to Charles Michael Anderson are revoked. However, the revocations are stayed and Respondent and Respondent Corporation are placed on probation for three (3) years on the following terms and conditions.

1. **Obey All Laws.** Respondents shall obey all federal, California, other states' and local laws, including those rules relating to the practice of public accountancy in California.
2. **Submit Written Reports.** Respondents shall submit, within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The Respondents shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to Respondents' compliance with all the terms and conditions of probation. Respondents shall immediately execute all release of information forms as may be required by the Board or its representatives.
3. **Personal Appearances.** Respondents shall, during the period of probation, appear in person at interviews/meetings as directed by the Board or its designated representatives, provided such notification is accomplished in a timely manner.
4. **Comply With Probation.** Respondents shall fully comply with the terms and conditions of the probation imposed by the Board and shall cooperate fully with representatives of the California Board of Accountancy in its monitoring and investigation of the Respondents' compliance with probation terms and conditions.
5. **Practice Investigation.** Respondents shall be subject to, and shall permit, a practice investigation of the Respondents' professional practice. Such a practice investigation shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.
6. **Comply With Citations.** Respondents shall comply with all final orders resulting from citations issued by the California Board of Accountancy.

- 1 **7. Tolling of Probation for Out-of-State Residence/Practice.** In the event
2 Respondents should leave California to reside or practice outside this state,
3 Respondents must notify the Board in writing of the dates of departure and return.
4 Periods of non-California residency or practice outside the state shall not apply to
5 reduction of the probationary period. No obligation imposed herein, including
6 requirements to file written reports and reimburse the Board costs, shall be suspended
7 or otherwise affected by such periods of out-of-state residency or practice except at the
8 written direction of the Board.
- 9 **8. Violation of Probation.** If Respondents violate probation in any respect, the Board,
10 after giving Respondents notice and an opportunity to be heard, may revoke probation
11 and carry out the disciplinary order that was stayed. If an accusation or a petition to
12 revoke probation is filed against Respondents during probation, the Board shall have
13 continuing jurisdiction until the matter is final, and the period of probation shall be
14 extended until the matter is final.
- 15 **9. Completion of Probation.** Upon successful completion of probation, Respondents'
16 licenses will be fully restored.
- 17 **10. Ethics Course/Examination.** Respondent shall take and pass with a score of 90
18 percent or better a Board approved ethics examination no later than 100 days prior to
19 the termination of probation. If Respondent fails to pass the ethics examination
20 within the time period provided or within two attempts, he shall so notify the Board
21 and shall cease practice until he takes and successfully passes said exam, has
22 submitted proof of same to the Board, and has been notified by the Board that he may
23 resume practice. Failure to pass the required examination no later than 100 days prior
24 to the termination of probation shall constitute a violation of probation.
25 Notwithstanding any other provision of this probation, failure to take and pass this
26 examination within five years of the effective date of this order constitutes a separate
27 cause for discipline of Respondents' licenses.
28

1 11. **Continuing Education Courses.** Respondent shall complete and provide proper
2 documentation of 24 hours of professional continuing education courses as directed by
3 the Board or its representative, in addition to the 80 hours required for re-issuance of
4 his license.

5 12. **Active License Status.** Respondents shall at all times maintain an active license
6 status with the Board. If either or both of the licenses are expired at the time the
7 Board's decision becomes effective, such must be renewed within 30 days of the
8 effective date of the decision.

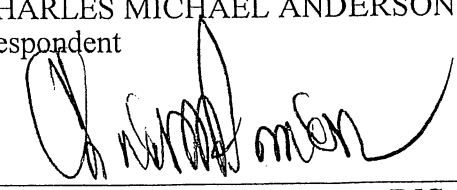
9 13. **Cost Reimbursement.** Respondents shall reimburse the Board \$8,691.50 for its
10 investigation and prosecution costs. The reimbursement of costs shall be made as
11 follows: Respondents shall make quarterly payments, with the final quarterly payment
12 to be made one year before probation is scheduled to terminate. These quarterly
13 payments shall be submitted along with the quarterly written reports required from
14 Respondents.

15 ACCEPTANCE

16 I have carefully read the above Stipulated Settlement and Disciplinary Order and have fully
17 discussed it with my attorney, Albert E. Cressey. I understand the stipulation and the effect it will
18 have on my Certified Public Accountant Certificate and my Certified Public Accountancy
19 Corporation Certificate. I enter into this Stipulated Settlement and Disciplinary Order
20 voluntarily, knowingly, and intelligently, and agree to be bound by the Decision and Order of the
21 Board.

22 DATED: August 28, 2009

23 
24 CHARLES MICHAEL ANDERSON
Respondent

25 
26 CHUCK ANDERSON, C.P.A., INC.
27 Respondent Corporation
28

I have read and fully discussed with Respondent, Charles Michael Anderson and Respondent Corporation, Chuck Anderson, C.P.A., Inc., the terms and conditions and other matters contained in the above Stipulated Settlement and Disciplinary Order. I approve its form and content.

DATED: 10/27/09


ALBERT H. CRESSEY
Attorney for Respondents

ENDORSEMENT

The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully submitted for consideration by the Board

DATED: _____

Respectfully Submitted,

EDMUND G. BROWN JR.
Attorney General of California
GREGORY J. SALUTE
Supervising Deputy Attorney General

KEVIN J. RIGLEY
Deputy Attorney General
Attorneys for Complainant

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1 I have read and fully discussed with Respondent, Charles Michael Anderson and
2 Respondent Corporation, Chuck Anderson, C.P.A., Inc., the terms and conditions and other
3 matters contained in the above Stipulated Settlement and Disciplinary Order. I approve its form
4 and content.

5
6 DATED: _____

ALBERT E. CRESSEY
Attorney for Respondents

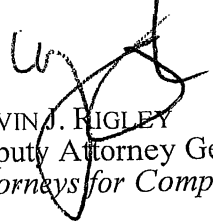
8
9 ENDORSEMENT

10 The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully
11 submitted for consideration by the Board

12
13 DATED: 10/27/09

Respectfully Submitted,

EDMUND G. BROWN JR.
Attorney General of California
GREGORY J. SALUTE
Supervising Deputy Attorney General

17
18 
19 KEVIN J. RIGLEY
Deputy Attorney General
Attorneys for Complainant

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21 LA2008601604
22 Stipulation.rtf
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27
28

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of the State of California
2 GREGORY J. SALUTE
Supervising Deputy Attorney General
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Deputy Attorney General
4 300 So. Spring Street, Suite 1702
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7 Attorneys for Complainant
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11 In the Matter of the Accusation Against:

Case No. AC-2009-4

12 **CHARLES MICHAEL ANDERSON**
1102 Aviation Blvd., Suite B
13 Hermosa Beach, CA 90254-4000
Certified Public Accountant Certificate No.
14 15928

A C C U S A T I O N

15
16 and

17
18 **CHUCK ANDERSON, C.P.A., INC.;**
1102 Aviation Blvd., Suite B
19 Hermosa Beach, CA 90254-4000
Certified Public Accountancy Corporation
20 Certificate No. 4283

21
22 Respondents.

23 Complainant alleges:

24 PARTIES

- 25 1. Patti Bowers (Complainant) brings this Accusation solely in her official
26 capacity as the Executive Officer of the California Board of Accountancy (Board).
27 2. On or about December 11, 1970, the Board issued Certified Public
28

1 Accountancy Certificate Number 15928 to Charles Michael Anderson (Respondent). The
2 Certified Public Accountant Certificate was in full force and effect at all times relevant to the
3 charges brought herein and will expire on July 31, 2010, unless renewed.

4 3. On or about March 21, 1996, the Board issued Certified Public
5 Accountancy Corporation Certificate Number 4283 to Chuck Anderson, C.P.A., Inc.
6 (Respondent). The Certified Public Accountancy Corporation Certificate was in full force and
7 effect at all times relevant to the charges brought herein and will expire on March 31, 2010,
8 unless renewed.

9 JURISDICTION

10 4. This Accusation is brought before the Board, under the authority of the
11 following laws. All section references are to the Business and Professions Code unless otherwise
12 indicated.

13 5. Section 5100 states:

14 "After notice and hearing the Board may revoke, suspend, or refuse to renew any
15 permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5
16 (commencing with Section 5080), or may censure the holder of that permit or certificate for
17 unprofessional conduct that includes, but is not limited to, one or any combination of the
18 following causes:

19

20 "(c) Dishonesty, fraud, gross negligence, or repeated negligent acts committed in
21 the same or different engagements, for the same or different clients, or any combination of
22 engagements or clients, each resulting in a violation of applicable professional standards that
23 indicate a lack of competency in the practice of public accountancy or in the performance of the
24 bookkeeping operations described in Section 5052.

25

26 "(g) Willful violation of this chapter or any rule or regulation promulgated by the
27 board under the authority granted under this chapter.

28

1 "(i) Fiscal dishonesty or breach of fiduciary responsibility of any kind.

2

3 "(j) Knowing preparation, publication, or dissemination of false, fraudulent, or
4 materially misleading financial statements, reports, or information."

5 6. California Code of Regulations, title 16, section 58, provides that licensees
6 engaged in the practice of public accountancy shall comply with all applicable professional
7 standards, including but not limited to generally accepted accounting principles and generally
8 accepted auditing standards.

9 7 Section 5062 of the Code provides that a licensee shall issue a report
10 which conforms to professional standards upon completion of a compilation, review or audit of
11 financial statements.

12 8. California Code of Regulations, title 16, section 87 states:

13 ...

14 "(d) A licensee who must complete continuing education pursuant to subsections
15 (b) and/or (c) of this section shall also complete an additional eight hours of continuing education
16 specifically related to the detection and/or reporting of fraud in financial statements."

17 9. Section 5156 states:

18 "An accountancy corporation shall not do or fail to do any act the doing of which
19 or the failure to do which would constitute unprofessional conduct under any statute, rule or
20 regulation now or hereafter in effect. In the conduct of its practice, it shall observe and be bound
21 by such statutes, rules and regulations to the same extent as a person holding a permit under
22 Section 5070 of this code. The Board shall have the same powers of suspension, revocation and
23 discipline against an accountancy corporation as are now or hereafter authorized by Section 5100
24 of this code, or by any other similar statute against individual licensees, provided, however, that
25 proceedings against an accountancy corporation shall be conducted in accordance with Chapter 5
26 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code,
27 and the board shall have all the powers granted therein."

28 ////

10. Section 118 of the Code states:

"(b) The suspension, expiration, or forfeiture by operation of law of a license issued by a board in the department, or its suspension, forfeiture, or cancellation by order of the board or by order of a court of law, or its surrender without the written consent of the Board, shall not, during any period in which it may be renewed, restored, reissued, or reinstated, deprive the Board of its authority to institute or continue a disciplinary proceeding against the licensee upon any ground provided by law or to enter an order suspending or revoking the license or otherwise taking disciplinary action against the licensee on any such ground."

11. Section 5107 states:

"(a) The executive officer of the Board may request the administrative law judge, as part of the proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate found to have committed a violation or violations of this chapter to pay to the board all reasonable costs of investigation and prosecution of the case, including, but not limited to, attorneys' fees. The Board shall not recover costs incurred at the administrative hearing."

FIRST CAUSE FOR DISCIPLINE

(Dishonesty, Fraud, Gross Negligence or Repeated Acts of Negligence)

12. Respondents are subject to disciplinary action under Code sections 5100(c) and 5100(g) in that Respondents committed gross negligence and dishonest acts in the preparation of a federal income tax return. Respondents reported false taxpayer information to the Internal Revenue Service (IRS) in the preparation of the 2006 Corporation return for "Corporation U." (the corporation). The circumstances are as follows:

a. Respondents prepared the corporation's return on behalf of client "J. T." (the client), the company's sole shareholder, without making appropriate inquiries, without reference to the prior year's returns and without providing appropriate advice to the

////

1. The identity of J. T. and Corporation U. shall be disclosed during discovery.

1 client regarding the implication of the effects of the corporation's activities on the client's
2 personal tax situation and reporting requirements.

3 b. \$20,000 Adjustment

4 Respondents prepared the 2006 corporation return (Form 1120) for
5 the corporation with an unsupported revenue decrease of \$20,000. The client, the corporation's
6 only shareholder, had no knowledge or understanding of Respondents' adjustment. The \$20,000
7 adjustment to decrease revenue in the Form 1120 prepared by Respondents conflicts with
8 financial statements originally prepared by Respondents, as well as with his oral explanation of
9 the adjustment to the successor accountant, in which he explained he had lowered revenue to
10 create a profit with a tax liability that the client could afford.

11 c. Shareholder Distributions

12 The corporation's financial statements, as originally prepared by
13 Respondents, reflect that the 2006 current year earnings were \$32,847, with prior earnings of
14 \$1,296. Distributions categorized as shareholder dividends of \$36, 621 on these financial
15 statements exceeded these combined amounts, and therefore should have included some return of
16 capital, as the amounts distributed exceeded accumulated earnings. This notwithstanding,
17 Respondents, in the tax return they prepared, indicated that no distributions were made to the
18 shareholder. Respondents knew, or should have known, the corporate tax return should have
19 reported dividend distributions and that a Form 1099-DIV was required to report the distributions
20 to the shareholder. Respondents did not advise the client that the dividends needed to be reported
21 on her personal return. Respondents failed to prepare and/or advise the client to prepare Form
22 1099-DIV for the shareholder dividends reflected on the corporation's books and records.

23 **SECOND CAUSE FOR DISCIPLINE**

24 (Fiscal Dishonesty or Breach of Fiduciary Responsibility of Any Kind)

25 13. Respondents are subject to disciplinary action under Code sections
26 5100(g) and 5100(i) in that Respondents breached a fiduciary responsibility to the client, who is
27 elderly, by preparing a return with erroneous and false information. As a result thereof, the
28 information reported on the form subjected the client to the filing of a materially misleading tax

1 return. In addition, the information reported on the return and reflected in the financial statements
2 compiled by Respondents potentially exposed the client to significant penalties. The
3 circumstances of this violation are set forth in paragraph 12 above and are incorporated herein by
4 reference as though fully set forth.

5 **THIRD CAUSE FOR DISCIPLINE**

6 (Knowing Preparation, Publication or Dissemination of False, Fraudulent or
7 Materially Misleading Financial Statements, Reports or Information)

8 14. Respondents violated Code sections 5100(g) and 5100(j) by knowingly
9 preparing a materially misleading tax return. Respondents' preparation of the subject 2006
10 corporation return reflected an erroneous \$20,000 reduction to revenue. Therefore, the revenue
11 reported on the tax return prepared by Respondents was materially misleading financial
12 information. The circumstances of this violation are set forth in paragraph 12 above and are
13 incorporated herein by reference as though fully set forth.

14 **FOURTH CAUSE FOR DISCIPLINE**

15 (Failure to Issue Report Conforming to Professional Standards)

16 15. Respondents violated Code sections 5062 and 5100(g) by failing to issue a
17 report that complied with professional standards to accompany the original and revised financial
18 statements compiled for the corporation for the ten-month period ended October 31, 2006.

19 **FIFTH CAUSE FOR DISCIPLINE**

20 (Failure to Comply With All Applicable Professional Standards)

21 16. Respondents violated California Code of Regulations, Title 16, section 58
22 and Code section 5100(g) by failing to comply with the professional standards for tax services
23 and Internal Revenue Service regulations as set forth in paragraphs 12 through 14 above and
24 professional standards for compilation engagements as set forth in paragraph 15 above. The
25 circumstances of this violation are set forth in paragraphs 12 and 15 above and are incorporated
26 herein by reference as though fully set forth.

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28 ///

1 SIXTH CAUSE FOR DISCIPLINE

2 (Failure to Complete Mandatory Fraud-Related Continuing Education)

3 17. Respondent violated California Code of Regulations, Title 16, Section 87
4 and Code section 5100(g) by failing to complete eight (8) hours of fraud-related continuing
5 education during his last renewal period, ended July 31, 2006. Though Respondent did provide a
6 certificate of completion for 24 hours of fraud examination, such course was completed in 2003
7 and thus, not within the renewal period. Respondent has provided no additional documentation
8 reflecting he completed the mandatory eight (8) hours of continuing education specifically related
9 to the detection and/or reporting of fraud in financial statements during the renewal period in
10 question.

11 PRAYER

12 WHEREFORE, Complainant requests that a hearing be held on the matters herein
13 alleged, and that following the hearing, the Board issue a decision:

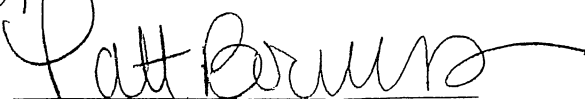
14 1. Revoking or suspending or otherwise imposing discipline upon Certified
15 Public Accountant Certificate Number 15928, issued to Charles Michael Anderson;

16 2. Revoking or suspending or otherwise imposing discipline upon Certified
17 Public Accountancy Corporation Certificate Number 4283, issued to Chuck Anderson, C.P.A.,
18 Inc.;

19 3. Ordering Respondents to pay the Board the reasonable costs of the
20 investigation and enforcement of this case, pursuant to Business and Professions Code section
21 5107;

22 4. Taking such other and further action as deemed necessary and proper.

23
24 DATED: February 13, 2009

25 

26 PATTI BOWERS
27 Executive Officer
28 California Board of Accountancy
State of California
Complainant